

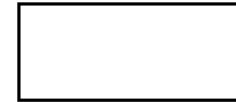
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State Dept. review completed

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GENERAL

1. Comment on Yugoslav and Chinese exchange of ambassadors:

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[REDACTED]

By matching Peiping's appointment of a high-level diplomat as ambassador to Yugoslavia with its own appointment of

Vladimir Popovic as ambassador to Communist China, Belgrade has also shown a great interest in Sino-Yugoslav relations. Each country may believe that a man of high caliber could be instrumental in exerting influence on the other country, with Yugoslavia pursuing its old view that China can be made less dependent on Moscow.

Popovic is considered close to Tito and has held such key positions as ambassador to the USSR from 1945 to 1948, assistant foreign minister from 1948 to 1950, and ambassador to the United States from 1950 to March 1954.

Wu Hsiu-chuan, appointed by the Chinese on 1 March, is of comparable caliber as a diplomat, having been vice minister of foreign affairs since 1951 and an assistant to Chou En-lai in negotiating the Sino-Soviet treaty in January 1950.

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FAR EAST

2. South Korea warns of action against Communist members if NNSC is not abolished:

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[REDACTED]

If a decision is made relative to the Neutral Nations Supervisory Commission (NNSC) which permits the commission to continue, and its Communist members to

remain in South Korea, it will be a signal for the Korean government to act "to safeguard its national security." This is the highlight of a memorandum setting forth the South Korean government's position on the NNSC which was delivered to the American embassy on 7 March.

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Comment: The decision on the status of the NNSC will presumably be made by the Swiss and Swedish governments after they have considered the American and Communist positions on the matter.

The Chinese Communists have expressed willingness for commission members to negotiate only a token reduction in personnel, which would permit the inspection teams to continue to function. It is possible, therefore, that South Korea might take action against Communist team members within its borders if the Swiss and Swedes enter into such negotiations rather than agree to abolition of the commission.

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SOUTHEAST ASIA

25X1A 3. Spokesman for Vietnamese sects expresses fear of Diem government:

A spokesman for the Hoa Hao sect told the American embassy in Saigon that the sects had decided Diem would destroy them if they remained inactive, and that they preferred "honorable death from known enemies rather than a dishonorable end at the hands of one who professed to be their leader."

The embassy believes that the formation of a "United Front of Nationalist Forces" on 4 March by the sects indicates that for the immediate future their activity will be concentrated in the political rather than the military sphere.

Comment: The proclamation announcing the united front was signed by representatives of all three sects, but leaders of certain progovernment wings of the Cao Dai and Hoa Hao have indicated they will not adhere to it. Despite their past inability to maintain a united front, the sects have a potential for causing Diem serious trouble. This potential would be enhanced if Bao Dai should decide to back them against the premier.

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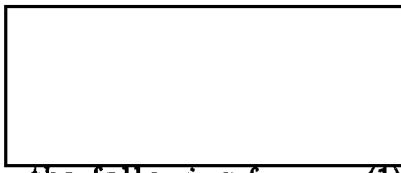
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NEAR EAST - AFRICA

5. Jordan appears interested in eventual adherence to Turkish-Iraqi pact:

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The American chargé in Amman reports that the Jordanian attitude toward the rival Turkish-Iraqi and Egyptian-Saudi pact arrangements has crystallized in

the following form: (1) Jordan will "study" the Egyptian proposals for a new Arab collective security pact, but such a study may take years; (2) Jordan will not be a party to any agreement aimed at punishing Iraq for signing the pact with Turkey; and (3) Jordan will

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not join the Turkish-Iraqi pact at present but will consider doing so in the future.

Jordan's defense minister told the American embassy on 7 March that eventual association with the Turkish-Iraqi pact would enable Amman to continue to enjoy British military aid within the framework of an international defense arrangement.

Comment: Jordan's position at the moment is the product of the opposing Western and Egyptian-Saudi pressures. The defense minister's reasoning is similar to the thinking which has induced Iraq to negotiate a new defense arrangement with the British within the framework of the Turkish-Iraqi pact.

EASTERN EUROPE

6. Comment on Hungarian Workers' Party attacks on "rightist deviation":



The Hungarian Workers' Party central committee resolution condemning Premier Imre Nagy and other government officials for "rightist anti-Marxist deviation" culminates a series of recent developments aimed at restoring unity and discipline in the party and restricting new course liberalism.

The emphasis of the resolution on the stagnation of the economy since June 1953 indicates that the party will pursue a harder, less conciliatory policy in the future.

As in the past, Hungary, unlike the other Satellites, is likely to carry Moscow's directives to extremes. Its new program will undoubtedly include an increased emphasis on discipline, vigilance and class warfare, and the allocation of more economic resources to heavy industry.

The fact that the report specifically charged Premier Nagy with being the spokesman of the anti-Marxist deviation strongly suggests that Nagy, unlike Malenkov, will be

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immediately eliminated from the government. The criticisms will have widespread repercussions within Hungary, since Nagy's liberal interpretation of the new course was vigorously seconded by a large number of party and economic leaders and by the official party newspaper last October and November.

The most likely successor as premier would be Mihaly Farkas, a former minister of defense who reportedly worked with party leader Rakosi in Moscow during the war years on the Hungarian section of the Cominform. He was removed from his government position at the time the new course was announced, but has remained the fourth ranking member of the party political committee and a central committee secretary under Rakosi.

WESTERN EUROPE

7. Paris embassy notes factors dimming Faure government's prospects:

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The political situation in France appears "unfavorable enough" to warrant analysis of the Faure government's prospects now, the American embassy in Paris reports.

National Assembly deputies opposed to German rearmament are tempted to try to overthrow the government and thereby delay Council of the Republic action on the Paris agreements indefinitely. Strong opposition is anticipated on parts of the budget and on Premier Faure's request for new economic decree powers.

Popular reluctance to face another government crisis immediately, however, and the belief that Faure should be given a chance on his domestic program are factors in the premier's favor.

Comment: Faure's success on 8 March in overcoming his first big budgetary obstacle--the vote on a limited pay increase for civil servants--has strengthened his position considerably. If, as seems probable, he can get assembly approval for his economic program and push the Paris agreements through the council, his prospects for remaining in office

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until autumn will be much brighter. Parliament will be in recess for much of April, May and June because of cantonal and senatorial elections, and summer vacations will then follow.

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8. Italian government crisis may be imminent:

[Redacted]

Some observers in Rome believe a government crisis may be provoked shortly after Italian Senate ratification of the Paris accords, expected this week. The American embassy, however, which foresees a possible vote of confidence next week, believes Premier Scelba is likely to survive for the time being "with the barest majority."

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Comment: The government is required to resign following the presidential election in May, and Scelba will probably be able to squeak by until then. Party disagreements over the pace and extent of domestic reform have become so acute that formation of a new government combination will be very difficult.

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